

# Millennium Challenge Account FAQs

## **1. How will the MCA be administered?**

The new Millennium Challenge Corporation (MCC) administers the Millennium Challenge Account (MCA). The MCC is a government corporation headed by a Chief Executive Officer and staffed leanly with talent drawn from the public and private sectors. A Board of Directors oversees the corporation. The MCC Board is chaired by the Secretary of State and includes the Secretary of the Treasury, as Vice Chairman, the U.S. Trade Representative and the Administrator of the U.S. Agency for International Development. After their nomination by the President and appointment with the advice and consent of the Senate, the Board will also include the future Chief Executive Officer of the MCC and four independent members.

## **2. How much assistance will the MCC provide?**

When he announced the Millennium Challenge Account in March 2002, President Bush proposed a new "global development compact" in which "greater contributions from developed nations must be linked to greater responsibility from developing nations." In January 2004 Congress approved legislation authorizing the MCC and providing MCA \$1 billion in FY 2004. The President's request for the MCA in FY 2005 is \$2.5 billion, paving the way to reaching the \$5 billion funding level proposed by the President for FY 2006.

## **3. Which countries are candidates for MCA assistance?**

For the first year, FY 2004, Congress has legislated that countries with per capita incomes below \$1,415, that can borrow from the World Bank's International Development Association (IDA), and that are not otherwise prohibited from receiving U.S. economic assistance under part I of the Foreign Assistance Act or other provisions of U.S. law are candidates. (See candidate country list for FY 2004.) In FY 2005, all countries with incomes below the historic cutoff for IDA assistance (currently \$1,415) and not otherwise barred by law will be considered and from FY 2006, all countries not otherwise barred by law with incomes up to the World Bank cutoff for "lower middle income countries" (currently \$2,935) will be candidates. The MCA legislation caps funding for lower middle-income countries, which have a per capita income greater than the historic cutoff for IDA assistance, at 25% of the total amounts appropriated.

#### **4. How are MCA countries selected?**

The MCC will select only countries that are, in President Bush's words, "ruling justly, investing in their people, and encouraging economic freedom." The MCC will use 16 objective indicators to measure country performance on these three criteria. To qualify, candidate countries are expected to score above the median on half of the indicators in each of the three criteria areas and above the median on the corruption indicator specifically. Given that no quantitative indicator is without flaws, the Board will then review the results, take into account factors such as data gaps or lags and other matters that Congress has indicated should receive consideration, and select the countries that will be eligible for MCA assistance. (See Report on the Criteria and Methodology for Determining the Eligibility of Candidate Countries for the Millennium Challenge Account Assistance in FY 2004.)

#### **5. What can a country do to help itself qualify for the MCA?**

Countries should focus on improving performance on political, economic, and social policies that are fundamental for countries to grow and for citizens to escape from poverty and to lead better lives. These policies are also what are essential for MCA qualification.

#### **6. What can a country do if it is missing data, or if indicator results do not represent current reality?**

One of the key factors in choosing the MCA eligibility criteria is country coverage. The Board does have the discretion to take into account missing data or more recent events that point to an improving or deteriorating trend that the data might not capture. The Board will also explain the basis for selecting the countries that are eligible to be considered for assistance.

#### **7. Is the role of women in society a part of the MCA eligibility process?**

The MCA's emphasis on the fundamental elements of economic growth will be extremely beneficial to women. Eligibility criteria on governance, human rights, health and education and the requirement to include a variety of stakeholders in the development of MCA compacts promote the role of women in economic development. Countries that fail to advance women's human rights will find it difficult to pass the criteria for ruling justly. In the same way, countries that discriminate against women and girls in education or health will score poorly on the "Investing in People" indicators. The Board will also be able to consider information from the State Department Human Rights Report regarding the treatment of women and girls, and it will be able to consider both the level and trend in girls' enrollment rates in primary school. During implementation of MCA compacts, where applicable, the MCC will monitor and assess the role of women and girls.

## **8. Is a commitment to the environment part of the MCA eligibility process?**

The MCA's emphasis on governance, opportunity, and innovation will promote and support good environmental and natural resource stewardship. The MCC will be sensitive to the impact of its assistance on the environment and to the natural resource policies of the governments of countries that are candidates for MCA assistance. In the first round of country selection, the Board's assessment of a country's commitment to promote private sector growth and the sustainable development of natural resources could include the use of quantitative and qualitative information such as to access to sanitation, deforestation, conservation of land and marine resources, land tenure institutions, and protection of threatened and endangered species. The MCC will consult with experts and work to refine this approach in the country selection process in future years.

## **9. What happens after a country is determined to be eligible for MCA assistance?**

After the Board determines eligible countries, the MCC will work with potential recipient countries to develop compacts that set forth a commitment between the United States and the developing country to meet agreed performance benchmarks. In this partnership, countries will identify their own development priorities and establish a plan for achieving sustainable economic growth and poverty reduction, recognizing that economic growth is largely driven by a country's own efforts, policies, and its people. In developing its compact proposal, a country should:

- Engage a broad array of its society in coming up with its development priorities;
- Identify the measurable objectives that it wants to achieve;
- Include a plan for achieving those objectives with targets to assess progress;
- Develop transparent mechanisms to measure and evaluate whether targets are being met and to ensure financial accountability; and
- Provide a plan for sustaining progress after the MCA compact ends.

The selection of a country by the Board as an "eligible" country therefore does not ensure that a country will receive MCA funding. The extent to which a country's proposal meets the above requirements will help determine whether and how much the MCC will invest in the country.

## **10. Will MCA compacts be signed only with governments?**

Yes. Although we anticipate that a wide variety of actors will be involved in developing and implementing each compact, the government of each recipient country will sign the agreement with the MCC and, with the assistance of MCC, have principal responsibility for managing the implementation of the compact.

### **11. What types of activities will the MCC fund?**

The MCC's mission is to achieve economic growth and reduce poverty. Examples of areas that are directly tied to a country's productivity and economic growth include agricultural development, education, enterprise and private sector development, governance, health, and trade capacity building. However, these categories are meant to be illustrative, not exclusive. Because country ownership is a hallmark of the MCA, decisions on specific MCA investments will be made on a country-by-country basis and will fit within each country's overall growth and poverty reduction strategy.

### **12. How will the MCC measure success?**

Demonstrating tangible results is at the heart of the MCA. Each compact proposal submitted by an eligible country must include clear, measurable objectives and targets. We will explore a variety of mechanisms, looking at both internal and external resources, to develop the most effective and informative monitoring and evaluation system possible. MCA compacts will be posted on the MCC's web site to ensure transparency of the program.

### **13. What happens if there are problems with a program?**

The MCC will work with countries and implementers to identify and correct any problems with respect to performance and financial accountability. Should any such problems persist or if a country or implementing entity fails to adhere to its responsibilities under the compact, the CEO, in consultation with the Board, may decide to suspend or terminate assistance. The CEO may decide to reinstate assistance if the relevant country or implementing entity has demonstrated a commitment to correcting the situation.

### **14. What if a country doesn't qualify?**

USAID, working with the MCC, is prepared to assist "threshold" countries. Threshold countries are ones that just miss being determined eligible to receive MCA assistance but demonstrate a commitment to improving policy reform. USAID will provide targeted assistance through programs under the MCA rubric of ruling justly, investing in people and encouraging economic freedom, with particular attention to areas of weakness in qualifying for the MCA. The aim will be to promote economic growth and development and encourage policy improvements that will eventually enable the country to qualify for the MCA. Steps to make a country more likely to qualify for the MCA will also make the country more attractive for domestic savings, investment flows, and donor funds.

## **15. How will USAID and the MCC coordinate assistance programs?**

The MCA represents new money for development and will not necessarily supplant current USAID assistance. MCC and USAID will work together to ensure that their respective activities complement each other. The USAID Administrator serves as a member of the MCC Board, which determines country eligibility and approves MCA compacts. After the selection of countries that will receive MCA assistance, USAID will conduct a review of its programs and determine which should continue and which will be phased out or become a part of the MCA program. For example, regional programs or those fighting HIV/AIDs or trafficking in persons might continue, while programs in a sector of MCA concentration might logically be incorporated into the MCA program. These decisions will be on a country-by-country basis.